MAGNETICS INTERNATIONAL LTD./ANNUAL REPORT 1971

The cover depicts the many applications of ferrite magnets in products emanating from industries involved in home entertainment, toys, leisure activities, household appliances and automobiles. These industries offer exciting potential markets for your company's ferrite products.

Directors and Officers

R.P. Mills, *Chairman, and Director*
P.N. Carter, *President, Chief Executive Officer and Director*
W.J.D. Stone, P. Eng., *Executive Vice-President and Director*
N.R. Burridge, A.C.A., *Secretary-Treasurer*
H.J. Davidson, *Director*
N.E. Goodman, *Director*
H.J. Mockler, *Director*
J.H. Morgan, Ph.D., *Director*
J.D. Streit, *Director*

Directors of Subsidiaries *(who are not directors of Magnetics International Ltd.)*

J.W. Winthrop *Director, Ferrox Iron (New York) Ltd.*
N.R. Burridge, *Director, Ferrox Iron (New York) Ltd., Ferrox Iron Sales Ltd., Con Quest Exploration Ltd*
J.L.C. Jenner, *Director Con Quest Exploration Ltd.*

Subsidiaries

Ferrox Iron Ltd. (N.P.L.)
Ferrox Iron (New York) Ltd.
Ferrox Iron Sales Ltd.
Ferro-Magnetics Ltd. (N.P.L.)
Magsep Ltd.
Con Quest Exploration Ltd. (N.P.L.)

Wholly owned subsidiaries of Con Quest

Brea Tin Limited
Tolgarrick Tin Limited

Head Office

Suite 401,
621 Craig St. West,
Montreal 101, Quebec
Telex 01-25686
Telephone (514) 878-3978

United Kingdom address

30 Church Street,
Camborne, Cornwall,
England
Telex 09-45322
Telephone Camborne 2018

Bankers

Canadian Imperial
Bank of Commerce

Transfer Agents

The Canada Permanent
Trust Company
Montreal and Toronto

Auditors

Price Waterhouse & Co.

Shares Listed

Canadian Stock Exchange
Toronto Stock Exchange

Directors' report to the shareholders

Considerable progress was made during the year in the penetration of the ferrite market and in achieving industry acceptance of the Jones Wet Magnetic Separator. Unfortunately this advance came too late in the year to reflect in the 1971 financial results.

Consolidated sales were $1,165,378. down from $1,537,288. in 1970. The resulting loss of $355,712. compares with a profit of $17,393 in the previous year. The net loss after extraordinary items amounted to $386,112 against a profit of $8,785 in 1970.

Poor economic conditions during 1971 in the major United States markets were the main cause for the reduced sales and attendant losses.

Ferrites

Previous reports have described the problems which your company has encountered in developing an embedding powder for one of the largest producers of magnetic gaskets in the U.S.A. Throughout 1971 the research group continued its intensive efforts to solve these problems and late in the year the product was accepted by the customer. An annual purchase order has been received for the customer's requirements.

During the past two years your company has worked with one of the big three automotive companies to produce a barium ferrite (Permacal C) suitable for its production facilities. Just recently this product was accepted and orders for shipments on a regular monthly basis were initiated.

Ferrite sales to Europe and England doubled in 1971. This increase might have been greater if the Italian economy had not fallen off during the year.

In addition to many customers in North America, your company is now selling to or actively developing sales with over 50 ferrite users in England, Europe, Australia and South America.

The Incorporation in 1971 of a wholly owned subsidiary, Ferrox Iron Sales Ltd., represented a significant change in the marketing of ferrites. This company was formed to take over the selling function of General Magnetic Company (GMC).

GMC, one of the largest hard ferrite magnet manufacturers in the U.S.A., was the company's sales agent in North and South America and received commissions on all sales made into that territory.

A decision was made to renegotiate the existing GMC contract with a view to taking over the sales function and establishing a long term purchase agreement. The negotiations and agreements were completed in September, 1971. The original contract was purchased for a consideration of $200,000. This sum will be amply recovered by the commission income which had previously accrued to GMC and which is now accruing to your company. The long term purchase agreement will ensure a solid income base for the ferrite operations in the coming years.

Notwithstanding the reduced sales in 1971 and the resultant losses, the recent firm orders received on products developed during 1971 and current industry conditions, indicate that the company's production facilities will soon be stretched beyond their rated capacity.

To ensure adequate supplies for orders currently under contract and to have available capacity for the anticipated growth in 1972 it is necessary to expand the plant of Ferrox Iron (New York) Ltd. Studies are currently in progress to determine the size of the expansion and the financing required.

The outlook, therefore, for the Ferrite operations in 1972 is excellent. The sales which were anticipated for the last quarter of 1971 finally materialized in February and March, 1972. The orders currently on hand indicate that the company has made a considerable penetration of the ferrite market. Management is confident that the ferrite companies can expect a much improved year in 1972 and that they will make a contribution to the group's profitability.

Jones Wet Magnetic Separators

In the field of Jones Wet Magnetic Separators there was a substantial increase in the amount of test work performed during the year by Ferro-Magnetics Ltd.

This increased activity and the resultant exposure of the Jones Separator to the mining community required additional technical assistance. Mr. J.A. Bartnik, who has had many years of experience in the field of magnetic separation, joined Ferro-Magnetics as Vice-President during the year. Mr. Bartnik has greatly strengthened your company's management in this area and his contacts and enthusiasm have already made a significant contribution to the separator project.

Marketing of the Jones Separator has been active throughout the world with particular emphasis on the iron ore industry. Your company has a proven record in this field, demonstrated by the sale to Cia Vale do Rio Doce (CVRD) of twenty-eight Separators, each with a capacity of 100 tons per hour. High tonnage iron ore producers such as CVRD present a major market for the Jones Wet Magnetic Separator.

As well as the potentially lucrative field of the iron ore industry, sales to companies engaged in other high tonnage operations, such as bauxite, nickel and base metals, are being actively pursued.

In order to promote the sale of the Jones Separator two pilot plant machines are being used as demonstrators at the facilities of potential customers.

This approach has already been successful. For a number of months one of the pilot plant machines was in operation at a major iron ore producer in Canada. This resulted in an order for one large Jones Separator which will be installed during the coming year. It is expected that as soon as this separator is installed and operating, orders for more units will follow.

This sale is of great importance as it will result in the first large installation of the Jones Separator in North America. It is anticipated that this will accelerate the company's peneration of the market in this area.

Klockner-Humboldt-Deutz (KHD), your company's licencee for the sale and manufacture of the Jones Separator, has collaborated in the organization of an intensive sales campaign. An initial step was the production and distribution to potential customers of an extremely informative brochure on the Jones Separator. This is being followed up by sales calls to these customers by representatives of KHD and your company.

It is very difficult to project the number of orders which may be received during the coming year. The development of a sale from test work to a signed contract can take from one to two years to accomplish and it is too early as yet to judge the effectiveness of the sales campaign.

However, in view of the excellent results contained in test reports currently under review by potential customers, management is hopeful that it will be able to sell to at least two major iron ore producers during 1972. In this event sales contracts for up to twenty-four machines could be completed.

Current orders for the DP-317, the largest Jones Separator, now amount to seventeen. Sixteen of these machines will be delivered during 1972, resulting in a major contribution to your company's income for that year.

Other Projects

In other areas of your company's operations, Con Quest Exploration Ltd., with its two tin producing subsidiaries, Brea Tin Limited and Tolgarrick Tin Limited, is taking longer to achieve its optimum than had been anticipated. The viability of the project (to recover tin from tailings) was based on a feed rate of 10 tons per hour and the recovery of 3.6 lbs. of tin from each ton of feed. An analysis of the data collected during the year shows that the facilities are consistently recovering 3.6 lbs. or more from each ton of material fed into the plant. However, the plant has been unable to maintain a steady 10 ton per hour feed rate.

The problem is currently under close scrutiny by the President of Con Quest, Mr. W.J.D. Stone. He will remain at the tin plants until the feed problem has been solved. Once this has been done these companies will achieve their potential.

J.O. Sabourin and J. McG. Home

Your Directors are saddened to report the deaths of Mr. J.O. Sabourin and Mr. J. McG. Home and would like to extend sympathy to their respective families. Each was a Director of your company for many years and added substantially to its development; Mr. Sabourin in the capacity of Secretary-Treasurer and Mr. Home as legal counsel.

Outlook

The outlook for 1972 is encouraging. Income from the sale of sixteen Jones Separators is assured, orders on hand indicate a much improved year for the ferrite operations and the test work facility will continue to be profitable. As a result your company should achieve a significant profit level in 1972.

Respectfully submitted on behalf of the Board of Directors.

Peter N. Carter

Peter N. Carter, President

R. P. Mills, Chairman

March 27, 1972.

Magnetics International Ltd.
(Incorporated under the Quebec Companies Act)
and consolidated subsidiary companies

Consolidated balance sheet

Assets

	December 31 1971	December 31 1970
Current Assets:		
Cash and deposit receipts	$ —	$ 115,866
Accounts receivable (Note 10)	342,508	319,940
Inventories, consisting mainly of ferrite powders, at cost or net realizable value whichever is the lower (Note 10)	541,850	538,342
	884,358	974,148
Investments in shares of listed mining companies, at cost (quoted market value — $21,333) (Note 10)	33,174	33,174
Holdback on sales contract	12,899	42,218
Mortgage receivable, less instalments due within one year	18,981	19,663
Investment in and advances to unconsolidated subsidiary companies (Note 2)	172,551	166,841
Fixed assets, at cost:		
Land and buildings	227,826	227,793
Machinery and equipment	746,278	683,671
Furniture and fixtures	17,011	11,293
	991,115	922,757
Less: Received by grant on machinery and equipment	150,379	150,379
	840,736	772,378
Less: Accumulated depreciation	396,566	323,454
	444,170	448,924
Contract termination cost (Note 12)	200,400	—
Less: Accumulated amortization	20,040	—
	180,360	—
Patent rights, at cost	312,950	312,950
Less: Accumulated amortization	76,144	49,216
	236,806	263,734
	$1,983,299	$1,948,702

Signed on behalf of the Board:

PETER N. CARTER, Director

R. P. MILLS, Director

The accompanying notes are an integral part of this financial statement.

Liabilities

	December 31 1971	1970
Current Liabilities:		
Bank overdraft	**$ 9,626**	$ 18,454
Bank loans payable on demand (Note 10)	**144,100**	55,000
Note payable (Note 12)	**180,360**	—
Accounts payable and accrued liabilities	**327,803**	344,581
Indebtedness payable within one year (Note 3)	**93,190**	77,223
Due to associated companies (Note 10)	**69,642**	—
Due to a director (Note 11)	**30,400**	—
	855,121	495,258
Indebtedness not maturing within one year (Note 3)	**1,119,387**	1,090,195
Minority shareholders' interest in consolidated subsidiary companies (Note 5)	—	—
Shareholders' equity (Notes 6 and 13):		
Capital stock —		
Authorized —		
4,000,000 shares without par value		
Issued and fully paid — 2,500,955 shares (1970 — 2,495,955 shares)	**378,041**	373,041
Contributed surplus (grant received from the Government of Canada under the Industrial Research and Development Incentives Act)	**26,654**	—
	404,695	373,041
Deficit	**(395,904)**	(9,792)
	8,791	363,249
	$1,983,299	$1,948,702

Auditors' report

To the Shareholders of
Magnetics International Ltd.:

We have examined the consolidated balance sheet of Magnetics International Ltd. and its consolidated subsidiary companies as at December 31, 1971 and the consolidated statements of income, deficit, and source and application of funds for the year then ended, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1971 and of the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles which (after giving retroactive effect to the change explained in Note 2) have been applied on a consistent basis.

Montreal, April 7, 1972

Price Waterhouse & Co.
Chartered Accountants.

Magnetics International Ltd.

(Incorporated under the Quebec Companies Act)

and consolidated subsidiary companies

Consolidated statement of income

	Year ended December 31 1971	1970
Sales	**$1,165,378**	$1,537,288
Other income	**6,636**	20,933
	1,172,014	1,558,221
Cost of sales	**830,804**	789,899
Royalties	**47,620**	94,602
Research, development and engineering	**84,349**	90,198
Depreciation	**73,112**	58,221
Amortization of patent rights and contract termination cost	**46,968**	24,518
Selling and administrative expenses	**369,631**	427,030
Interest on indebtedness not maturing within one year	**54,601**	51,277
Other interest	**11,736**	5,083
Exchange loss	**2,071**	—
	1,520,892	1,540,828
	(348,878)	17,393
Share of loss from operations of unconsolidated subsidiary companies (Note 2)	**(6,834)**	—
Income (loss) before extraordinary items	**(355,712)**	17,393
Extraordinary items:		
Write-off of cost of consolidated subsidiary company shares acquired in 1971, as no net book value is attributable to those shares	**(30,400)**	—
Exchange loss arising from unpegging of Canadian dollar	**—**	(8,608)
Net income (loss) for the year (Note 8)	**$(386,112)**	$ 8,785
Per share:		
Net income (loss) before extraordinary items	**$ (0.14)**	$ 0.007
Net income (loss) for the year	**$ (0.15)**	$ 0.004

Consolidated statement of deficit

	Year ended December 31 1971	1970
Retained earnings (deficit), beginning of year:		
As previously reported	**$ 8,785**	$(3,499,359)
Change in basis of accounting for investment in unconsolidated subsidiary companies (Note 2)	**(18,577)**	(18,577)
As restated	**(9,792)**	(3,517,936)
Net income (loss) for the year	**(386,112)**	8,785
Credit arising from reorganization of capital structure	**—**	3,499,359
Deficit, end of year	**$(395,904)**	$ (9,792)

The accompanying notes are an integral part of these financial statements.

Magnetics International Ltd.

(Incorporated under the Quebec Companies Act)

and consolidated subsidiary companies

Consolidated statement of source and application of funds

	Year ended December 31 1971	1970
Source of funds:		
Net income for the year	$ —	$ 8,785
Charges to income not affecting working capital —		
Depreciation	—	58,221
Amortization of patent rights	—	24,518
Working capital generated from operations	—	91,524
Increase in indebtedness not maturing within one year	29,192	—
Issue of shares	5,000	—
Decrease in holdback on sales contract	29,319	—
Contributed surplus	26,654	—
Other	682	589
	$ 90,847	$ 92,113
Application of funds:		
Loss for the year	$ 386,112	—
Less charges to income not affecting working capital —		
Depreciation	(73,112)	—
Amortization of patent rights and contract termination cost	(46,968)	—
Working capital applied to operations	266,032	—
Investments in shares of listed mining companies	—	30,000
Holdback on sales contract	—	42,218
Investment in and advances to unconsolidated subsidiary companies	5,710	56,661
Investment in fixed assets	68,358	26,973
Decrease in indebtedness not maturing within one year	—	77,223
Contract termination cost	200,400	—
	540,500	233,075
Decrease in working capital	(449,653)	(140,962)
Working capital, beginning of year	478,890	619,852
Working capital, end of year	$ 29,237	$ 478,890

The accompanying notes are an integral part of this financial statement.

Magnetics International Ltd.

(Incorporated under the Quebec Companies Act)

and consolidated subsidiary companies

Notes to consolidated financial statements

December 31, 1971

1. Principles of consolidation: The consolidated financial statements include the accounts of the following subsidiary companies in which the company holds interests of 80% or more:

Ferrox Iron Ltd. (No Personal Liability)
Ferro-Magnetics Ltd. (No Personal Liability)
Ferrox Iron (New York) Ltd.
Ferrox Iron Sales Ltd.
Magsep Ltd.

The accounts of the subsidiary company Con Quest Exploration Ltd. (No Personal Liability) and its wholly owned subsidiary companies (see Note 2) have not been consolidated. These companies are engaged in mining activities which are different from the industrial operations of Magnetics International and its other subsidiary companies.

Accounts other than Canadian dollar accounts included in the consolidated balance sheet have been translated into Canadian dollars at rates of exchange current at year-end except that investments, fixed assets, patent rights and accumulated depreciation and amortization are at rates prevailing at dates of acquisition, and, long-term debt at rates prevailing when incurred. Accounts included in the consolidated statement of income, except depreciation and amortization, are translated at average rates of exchange prevailing during the year.

2. Investment in and advances to unconsolidated subsidiary companies: Magnetics International owns approximately 55% of the outstanding shares of Con Quest Exploration Ltd. (N.P.L.) which is primarily a mining exploration company. In addition to its mining exploration activities Con Quest owns all the outstanding shares of two companies in Cornwall, England, which operate tin dressing plants. These plants were acquired on December 9, 1970, and, in the opinion of management, had not reached a commercial level of production as at December 31, 1971. Accordingly, 1971 expenditures (net of sales proceeds) in the amount of $80,610 have been deferred in their accounts.

In 1971 the company changed its accounting for its investment in unconsolidated subsidiary companies from the cost method to the equity method. As a result Magnetics International has recorded its share of losses of these subsidiaries and the balance of retained earnings at December 31, 1970 previously reported as $8,785 has been restated to show the effect of this change. A similar restatement has been made to comparative balance sheet figures. Income statement comparative figures have not been restated because the effect of the accounting change on the 1970 results is not material.

At December 31 the companies investment was comprised as follows:	1971	1970
Shares, at equity	$ 118,450	$ 125,284
Advances	54,101	41,557
	$ 172,551	$ 166,841

3. Indebtedness not maturing within one year:

		1971	1970
Magnetics International Ltd. —			
7% Convertible redeemable debentures, due September 1, 1975 and secured by a floating charge on the company's assets (Note 4)		$ 375,000	$ 375,000
Owing to Director on purchase of patents, repayable in annual instalments of $15,000 until 1988		255,000	270,000
Ferrox Iron Ltd. (N.P.L.) —			
8½% term loan, repayable in 20 consecutive quarterly instalments of $5,000 each commencing December 31, 1971, secured by accounts receivable and by the issue of a 12% first mortgage demand bond for $200,000, which provides for a fixed charge on the fixed assets and a floating charge on the other assets of the company		100,000	—
6½% mortgage, repayable in 1972		939	21,264
Ferrox Iron (New York) Ltd. —			
9% Ogdensburg Trust Company Loan secured by a first mortgage on machinery and equipment, payable over a ten year period to January 19, 1981:			
Authorized loan	U.S. $162,168		
Outstanding (U.S. $93,537)		100,468	108,000
4⅝% Economic Development Administration loan secured by a second mortgage on machinery and equipment and a $45,547 first mortgage and a $4,555 third mortgage on land and buildings, payable over a ten year period to January 18, 1981 or at a rate of 50% of net earnings (as defined in the loan agreements) whichever is greater:			
Authorized loan	U.S. $365,382		
Outstanding (U.S. $177,040)		187,743	198,957
7½% New York Job Development Authority loan secured by a second mortgage on land and buildings, payable over a twenty year period in monthly instalments of U.S. $220 each to January 18, 1990 (U.S. $26,054)		28,082	28,852
3% Ogdensburg Area Industrial Development Corporation loan secured by a third mortgage on machinery and equipment and a fourth mortgage on land and buildings, payable over a ten year period to January 18, 1981 (U.S. $45,097)		48,705	48,705
carried forward		$1,095,937	$1,050,778

brought forward		$1,095,937	$1,050,778
7% convertible redeemable debentures, due September 1, 1980 (Note 4):			
Authorized	U.S. $250,000		
Issued (U.S. $108,000)		$ 116,640	$ 116,640
		1,212,577	1,167,418
Less: Indebtedness payable within one year		93,190	77,223
		$1,119,387	$1,090,195

4. Feature of debentures:

Magnetics International Ltd. —

According to the terms of the 7% convertible redeemable debenture issue, the debentures may be redeemed at par value at the option of the company. At the option of the holder, the debentures may be converted into common shares on the basis of 20 shares per $100 principal.

Ferrox Iron (New York) Ltd. —

According to the terms of the issue, the 7% convertible redeemable debentures may be redeemed at the option of the company, subject to the payment of a premium ranging from 20% to 5% of the principal sum due. At the option of the holder, the debentures may be converted into common shares on the following basis:

From December 31, 1971 to August 31, 1974	66⅔ shares per $100 principal
From September 1, 1974 to August 31, 1977	50 shares per $100 principal
From September 1, 1977 to maturity	40 shares per $100 principal

5. Minority shareholders' interest in subsidiary companies: Minority interest is shown as nil on the balance sheet because this interest is in subsidiaries which have capital deficiencies.

6. Capital stock: During the year 5,000 shares were issued for $1 each as a result of certain officers and senior personnel exercising share options. To cover further options granted to the same personnel, 69,250 shares have been set aside. These options are exercisable at various dates to 1975 predominantly at $1 per share.

In addition 100,000 shares are subject to issuance under the conversion privileges of the 7% convertible redeemable debentures.

7. Remuneration of directors: Total remuneration received by directors amounted to $68,016 ($83,721 in 1970) including salaries totalling $62,966 ($78,921 in 1970) received by senior officers who are also directors.

8. Income taxes: At December 31, 1971 the company and its consolidated subsidiary companies had losses carried forward for tax purposes of approximately $1,070,000 and, in addition, depreciation and amortization booked but not claimed for tax purposes amounted to approximately $320,000. These amounts aggregating approximately $1,390,000 are available to reduce taxable income in future years.

9. Contingent liability: The company has guaranteed repayment of an $82,995 government loan to an associated company which is only repayable if the project or process resulting from the specific development project covered by the loan is sold or put into commercial use.

A subsidiary company, Magsep Ltd., incorporated in the United Kingdom, has a contingent liability in respect of a disputed claim amounting to approximately $18,000.

10. Assets pledged as security for current liabilities:

Magnetics International Ltd. —

Shares in a listed mining company carried on the books at $30,000 and having a quoted market value at December 31, 1971 of $19,500 have been pledged as security against a loan from an associated company amounting to $25,892.

Ferrox Iron (New York) Ltd. —

Inventory, amounting to $364,953 has been pledged as security against a $50,100 7½% short-term note payable to the company's bankers.

Ferrox Iron Ltd. —

The bank loan payable on demand in the amount of $74,000 is secured in the same manner as the 8½% term loan (Note 3) by accounts receivable and a bond which provides for a fixed charge against fixed assets and a floating charge against other assets of the company.

11. Amount due to a director: During the year ended December 31, 1971 the company purchased from a director shares in its subsidiary Ferrox Iron Ltd. for the sum of $30,400.

12. Contract Termination cost: On October 1, 1971, a subsidiary company issued a note payable of $200,000 to Pemcor Inc. in consideration for the termination of a contract which gave the latter company sole distribution rights of ferrite powders produced by subsidiaries of Magnetics International.

This cost is being amortized over 30 months, the remaining life of the original contract. The note is payable U.S. $50,000 on each of March 31 and June 30, 1972 and U.S. $80,000 on September 30, 1972.

13. Subsequent event: The company intends to offer for sale in 1972 approximately 600,000 shares of its capital stock. Proceeds from such shares as maybe sold will be used to redeem all or part of its outstanding 7% convertible redeemable debentures and the balance will be added to the general funds of the company. A shareholder has agreed to purchase 375,000 of these shares at $1.00 per share subject to approval by appropriate regulatory bodies.

MAGNETICS INTERNATIONAL LTD.

Suite 401, 621 Craig St. W., Montreal 101, Quebec (514) 878-3978 Cables: Magnint

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

To the Shareholders:

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Shareholders of MAGNETICS INTERNATIONAL LTD. will be held on Thursday, April 27, 1972 in Salon 16 on the fifth floor of the Commerce House, 1080 Beaver Hall Hill, Montreal, Quebec, at the hour of 11:00 in the forenoon (Eastern Standard Time) for the following purposes:

(a) To consider and, if deemed advisable, approve the Annual Report containing the Consolidated Balance Sheet, Statement of Income and Deficit, and Statement of Source and Application of Funds for the fiscal year ended December 31, 1971 and the Auditors' Report thereon;

(b) To elect Directors for the ensuing year;

(c) To appoint Auditors for the ensuing year;

(d) To consider and, if deemed advisable, to sanction and approve all acts, proceedings, payments, contracts and by-laws by the Directors since the last Annual General Meeting;

(e) To transact such other business as may properly come before the Meeting.

DATED at Montreal this 5th day of April, 1972.

By Order of the Board of Directors,

N. R. Burridge
Secretary

MAGNETICS INTERNATIONAL LTD.

Suite 401, 621 Craig St. W., Montreal 101, Quebec (514) 878-3978 Cables: Magnint

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Magnetics International Ltd. (the "Company") of proxies for use at the Annual General Meeting of the Shareholders of the Company and at any adjournment thereof to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. The solicitation will be made primarily by mail but proxies may also be solicited by regular employees of the Company at nominal cost. The cost of solicitation by management will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

THE PERSONS DESIGNATED IN THE ENCLOSED FORM OF PROXY ARE DIRECTORS AND/OR OFFICERS OF THE COMPANY. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO EITHER BY STRIKING OUT THE NAMES OF THE PERSONS DESIGNATED AND BY INSERTING SUCH OTHER PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING AND SUBMITTING ANOTHER PROPER FORM OF PROXY. THE QUEBEC COMPANIES ACT PROVIDES THAT NO PERSON SHALL ACT AS PROXY UNLESS HE IS ENTITLED ON HIS OWN BEHALF TO BE PRESENT AND VOTE AT THE MEETING AT WHICH HE ACTS AS PROXY, OR HAS BEEN APPOINTED TO ACT AT THAT MEETING AS PROXY FOR A CORPORATION.

A shareholder who has given a proxy may revoke it prior to its use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the Head Office of the Company at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof at which the proxy is to be used or, with the Chairman of such meeting on the day of the meeting or any adjournment thereof, and upon either of such deposits the proxy is revoked.

EXERCISE OF DISCRETION

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. IN THE ABSENCE OF SUCH DIRECTION, SUCH SHARES WILL, WITH RESPECT TO THE PARTICULAR MATTER TO BE ACTED UPON, BE VOTED FOR SUCH MATTER. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to other matters which may properly come before the meeting. The management of the Company knows of no other matters to come before the meeting other than the matters referred to in the notice of meeting.

VOTING SHARES

On April 5, 1972, the Company had outstanding 2,505,955 shares of no par value carrying the right to one vote per share so that the aggregate number of votes attaching to all the outstanding shares is 2,505,955. The Directors and senior officers of the Company do not know of any person or company beneficially owning, directly or indirectly, shares carrying more than 10% of the voting rights attached to all shares of the Company.

All shareholders of record on the books of the Company at the time of the holding of the meeting will be entitled to vote at the meeting.

ELECTION OF DIRECTORS

The Board consists of eight Directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth following, all of whom are now members of the Board of Directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a Director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. Each Director elected will hold office until the next Annual Meeting and until his successor is duly elected, unless his office is earlier vacated.

The following information is furnished with respect to each person proposed to be nominated for election as Director:

NAME	BECAME DIRECTOR	SHARES BENEFICIALLY OWNED, DIRECTLY OR INDIRECTLY
P. N. CARTER, of Montreal, Quebec, was formerly President of General Magnetic Corporation of Detroit prior to his appointment as President of the Company in September 1969. His past experience includes seven years with A.T. Kearney, a leading firm of management consultants in the U.S.	1969	2,000
H. J. DAVIDSON, of Ithaca, New York, is Dean of the Graduate School of Business and Public Administration at Cornell University. Prior to this appointment he was Management Service Partner and Director of Planning with Touché, Ross & Company.	1970	600
N. E. GOODMAN, of Montreal, Quebec, is an Investment Counsellor. He is and has been a Partner in the firm of Beutel, Goodman & Company since 1967.	1968	10,001
R. P. MILLS, of Montreal, Quebec, is Chairman of the Company. He is and has been for the past five years, a Mining Executive and President of a number of companies. He is Chairman of Canadian Merrill Ltd.	Prior to 1950	23,700
H. J. MOCKLER, of Montreal, Quebec, is President of Canadian Merrill Ltd. and Central Mining Corporation and a Director of Mead & Co. Limited and Canada Northwest Land Company Ltd.	1968	14,450
J. H. MORGAN, of Montreal, Quebec, is and has been for the past five years, a Consulting Geologist. He is now President of Baker Talc Limited and Chib-Kayrand Copper Mines Limited and has been a Director of various other companies for the past five years.	1958	15,000
W. J. D. STONE, of Beaconsfield, Quebec, is Executive Vice-President of the Company. He is and has been for the past five years, a Professional Engineer and is now Executive Vice-President of Ferrox Iron Ltd. and Ferrox Iron (New York) Ltd.; President of Ferro-Magnetics Ltd. and Con Quest Exploration Ltd. and Chairman of Magsep Ltd.	1968	2,001
J. D. STREIT, of Toronto, Ontario is and has been for the past five years, an officer, director and shareholder of J. Bradley Streit & Company Limited.	1965	100

REMUNERATION OF DIRECTORS AND OFFICERS

During the past fiscal year, the aggregate remuneration paid or payable by the Company to the Directors and senior officers of the Company was $85,807 of which $80,757 was paid to officers and $5,050 to Directors. The total paid to the five highest paid employees and senior officers (including subsidiaries) was $120,556.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Price Waterhouse & Co., Chartered Accountants, of Montreal, Quebec, as auditors of the Company to hold office until the next Annual Meeting of Shareholders. They have been auditors of the Company for more than five years.

PARTICULARS OF MATTERS TO BE ACTED UPON

The management of the Company knows of no matters to come before the meeting other than the matters referred to in the notice of meeting. However, if matters not now known to the management should come before the meeting, shares represented by proxies solicited by the management will be voted on each such matter in accordance with the best judgement of the person voting the same.

April 5, 1972.

Magnetics International Ltd.

Suite 401, 621 Craig St. West, Montreal 101, Que.

PROXY

Solicited by Management for the Annual General Meeting of Shareholders

The undersigned, a Shareholder of MAGNETICS INTERNATIONAL LTD., hereby appoints P.N. Carter, or in his absence, R.P. Mills, or .... as Proxy to vote for and on behalf of the undersigned at the Annual General Meeting of Shareholders of the Company, to be held on the 27th day of April, 1972 and at any adjournment thereof, and without limiting the general authority and power hereby given to such nominee, the shares represented by this Proxy are specifically directed to be voted as indicated below.

1. Granting authority to vote: Approval of the Report of the Directors containing the Financial Statements for the year ending December 31, 1971 and Auditors' Report thereon.

   FOR ☐

   AGAINST ☐

2. Granting authority to vote: ☐ For the election of Management's nominees as directors for the ensuing year.

   Withholding authority to vote: ☐

3. Granting authority to vote: ☐ For the appointment of Price Waterhouse & Co. as auditors of Magnetics International Ltd. to hold office until the next annual meeting and authorizing the directors to fix their remuneration.

   Withholding authority to vote: ☐

4. Granting authority to vote at the proxy's discretion on any other business as may properly come before the meeting or any adjournment thereof.

The management of MAGNETICS INTERNATIONAL LTD. knows of no other matters to come before the meeting other than matters referred to above.

THIS PROXY WILL BE VOTED ON EACH OF THE MATTERS LISTED ABOVE IN ACCORDANCE WITH THE INDICATIONS, IF ANY, GIVEN IN THE SPACE PROVIDED. FAILING INDICATION ON ANY MATTER IT WILL BE VOTED FOR SUCH MATTER.

.... Dated 1972

If you do not expect to attend the meeting in person, please mark, date, sign and promptly return this Proxy.

Where the instrument is signed by a corporation, its common seal must be affixed.

Your name and address is recorded as indicated. Please report any change.

MAGNETICS INTERNATIONAL LTD.
SUITE 401,
621 CRAIG STREET, WEST
MONTREAL 101, QUEBEC